

EXECUTIVE SUMMARY - COOK COUNTY ECONOMIC ANALYSIS

PURPOSE

The Economic Analysis examines Cook County's demographic and economic structure over the past 20 years and establishes a baseline from which future opportunities and challenges can be extrapolated.

The purpose of the Economic Analysis is to help the community's stewards develop a shared understanding of the forces driving change in the county and of each other's challenges and opportunities so that sustainable economic development strategies can be formed and supported.



KEY FINDINGS

The 1990s brought a wave of shared prosperity. Rapid growth in tourism and other industries created dozens of new businesses, hundreds of jobs, and rising wages which attracted over one thousand new residents. By the end of the decade the transformation yielded:

- A population increase of a third from 3,868 residents in 1990 to 5,168 in 2000. Cook County grew three times faster than the state and almost ten times faster than the region.
- Employment growth of 58% and personal income by industry growth of 63%. Every area of the economy produced significant gains.

In contrast, from 2000 through 2011, the county economy grew at less than the rate of inflation and population growth stagnated. By private sector jobs (-2), real average wages (+2.8%), and population (+8) the County ended the 2000s in essentially the same place that it started. The population is graying, school enrollment is declining, housing affordability is decreasing, and the list of investments needed to restore prosperity is growing.

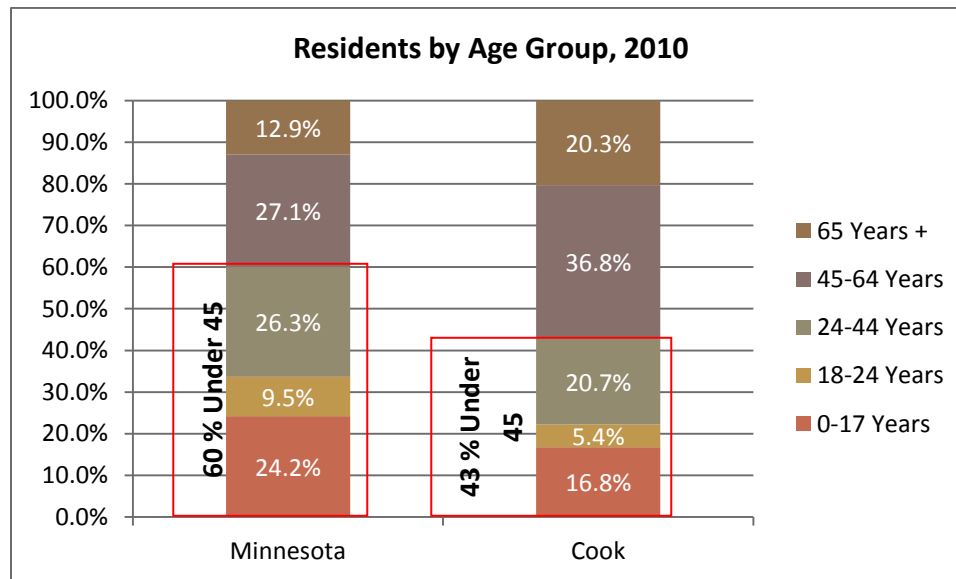
Current trends shaping Cook County can be categorized under several broad topics:

- Demographics (The county is aging)
- Industries and Employment (Investment has slowed, traditional employment has declined)
- Income (Earnings per job have declined, non-labor income is growing)
- Education and Training (Attainment of higher education and skills is increasing in importance)
- Long Term Employment Projections (Future job growth is in services, will require greater skills)
- Housing (A shortage of quality, affordable workforce housing is an obstacle)

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Demographics

In the decade from 2000 to 2010 Cook County registered a net gain of only 8 residents. At the same time the median age of the county's residents increased significantly. At nearly 50 years the median county resident is 33% older than the median state resident. The labor force increased modestly at 3.1%. The significant loss of residents younger than 18 and in the mid-career group of 35 to 44 indicates the changing demographics are due to more than just the natural aging process. The county is losing young families. Projected declines in prime-age workers raises the issue of how the county is going to supply the labor force to grow the economy, provide basic services, and sustain the school system.



Industries and Employment

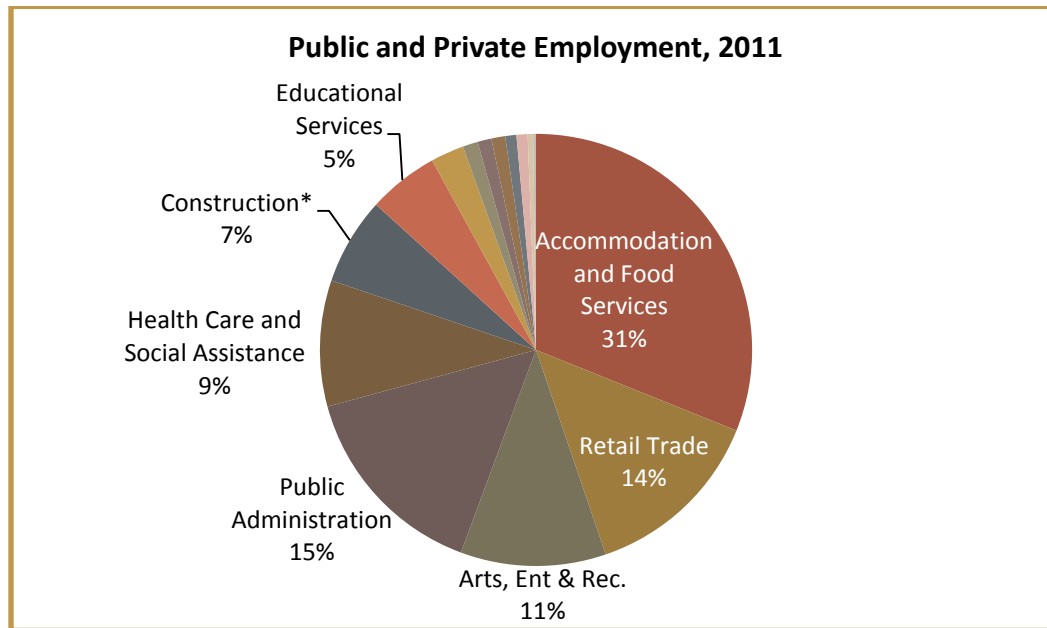
Tourism is the County's dominant economic sector. Tourism accounts for 52% of the County's sales tax revenues, the most of any county in the state and more than three times the state average. Tourism, outdoor recreation, and the local arts culture have been the drivers of economic and population growth in recent decades.

Given the dominance of the Tourism sector much of the County's overall prosperity is linked to it. To survive and prosper tourist businesses and communities need to continually improve. Businesses must pay for operating costs including wages, utilities, and marketing before capital investments can be made. Most of the County's businesses are small, locally owned enterprises with modest resources and have been unable to make the necessary investments.

From 2000 to 2010 the private sector shed wage and salary jobs. Growth in government and sole proprietors countered this loss which resulted in an 11% increase in total employment in the county over the same time period.

However, full and part time employment is counted equally in these statistics. A decline in the county's average earnings per job of 7% and a 24% decline in proprietor's earnings indicate that residents have had difficulty finding well paying full time job opportunities necessary for economic vitality.

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Income

The county's median household income rose by one-third in the period from 2000 to 2010 reaching \$49,162. When adjusted for inflation median household income in the County increased by 2.5% whereas the state experienced a decrease of 10%.

Retiree driven growth in non-labor income is largely responsible for increases in household incomes. Non-labor income increased by 22% while labor earnings have risen less than 3% percent since 2000. Cook County has a higher share of households receiving retirement income than the state. These households are wealthier than the average.

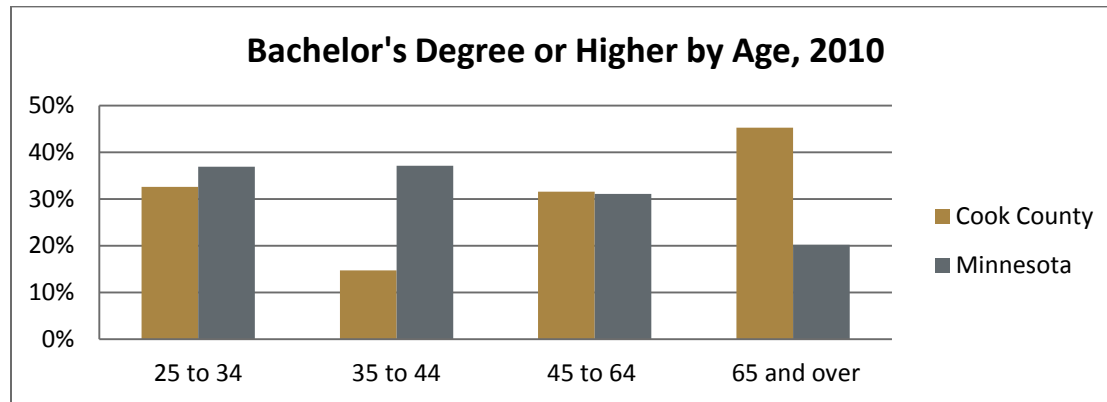
A 7% decline in the county's average earnings per job and a 23% decline in proprietor's earnings indicate that residents have had difficulty finding well paying full time job opportunities necessary for economic vitality.

Cook County's average weekly wages trail the Arrowhead Region and Minnesota. Notably absent are jobs in higher wage industries such as manufacturing, technology, and mining. The low overall wage rate is not simply a factor of the prevalence of traditionally low wage industries. Wages in other industries lag behind the benchmark communities in most industries. In fact, Leisure and Hospitality jobs pay higher than average sector wages.

Education and Training

The County's high school and higher education students have higher graduation rates than their counterparts at the state and national levels. Yet the county's labor force significantly trails the state in attainment of bachelor's degrees and two year degrees. Increased educational attainment and skills upgrades will be necessary for Cook County to continue to improve its standard of living, provide services demanded by its older population, and reestablish younger families. Access to high speed broadband communications will be critical to accomplishing this transformation.

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Housing

Access to quality, affordable workforce housing is a challenge to sustaining a vibrant economy, filling jobs, and retaining families. It is increasingly out of reach to the average family. Cook County is ranked amongst the ten counties with the highest median home value (\$207,000), yet it is in the bottom 20 counties in median earnings per worker (\$24,250). Growth in new seasonal homes and limited private land available for housing development drives this situation and growing gap. Affordable housing will require creative public/private solutions and development policies to change this paradigm.

COMPARATIVE ANALYSIS

Cook County has many strengths and opportunities. New partnerships and commitments, and strategic investments of time and resources are necessary to successfully link and leverage these to create sustainable economic development efforts for years to come.

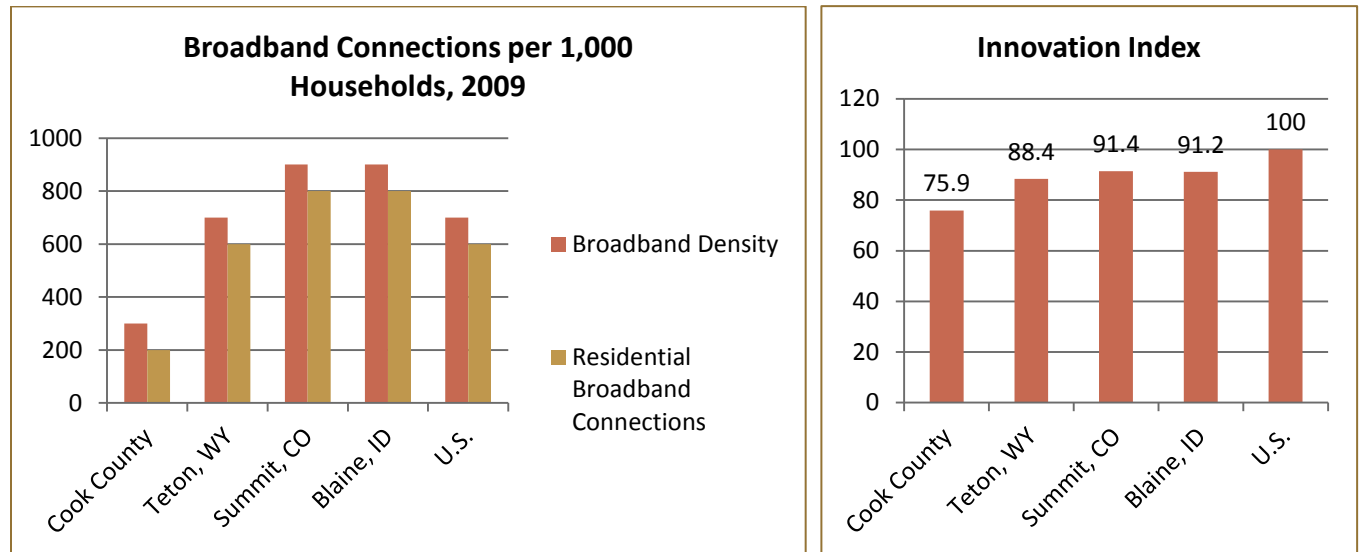
The county's sole proprietors and small businesses are an opportunity to create entrepreneurial enterprises that accelerate innovation, employment, and wealth creation. They need increased access to early stage financing, high speed broadband and robust support networks.

Increased educational attainment and skills upgrades will be necessary to continue to improve the standard of living, provide services demanded by older residents, and reestablish younger families. Access to high speed broadband will be critical to accomplishing this.

Investments in broadband, affordable housing and business development infrastructure and services coupled with inherent regional strengths are creating new opportunities for advanced manufacturing and technology businesses that do not rely on traditional proximity to markets and transportation needs. These niches and diversification opportunities can drive positive economic change in Cook County.

Empirical research and case studies show that investments in built capital, especially broadband, lead to income growth, value-added products and services, and population growth in high-amenity rural areas.

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The county has implemented several programs to access quality, affordable housing. Yet the gap between housing costs and average wages has expanded.

Cook County relies on its natural resources to provide jobs and wealth. These resources are also the driving force in attracting and keeping seasonal and year round residents. It is important to seek sustainable economic development which compliments the existing economy and lifestyle.

The importance of the county's Tourism sector cannot be understated but it risks becoming less competitive. When this happens, businesses add fewer new jobs (especially at higher wage levels), fail to spin-off new ideas and services, limit investments and are not in a sustainable and competitive growth mode. Increasing the vitality of the tourism sector and its contribution to the economy is a major strategic area of focus as well as the diversification in other business development areas that compliment and leverage the strengths of Cook County's economy and people. .

Finally, Cook County faces constraints on the supply of buildable land to accommodate growth. In order to accommodate growth the County will need to increase the development capacity of the limited land it has available and focus on redevelopment opportunities. Land use policies that prudently select and protect areas suitable for development, use techniques to allow increased density and affordability, and protect the environment can be developed. These policies are complemented by an array of economic and community development policies, which when balanced, can satisfy reasonable concerns about sustainable growth.